

IN RE: KENTUCKY RIVER AUTHORITY

MEETING NO. 131

November 16, 2006  
3:00 p.m.  
Capital Plaza Hotel  
405 Wilkinson Boulevard  
Frankfort, Kentucky 40601

APPEARANCES

Mr. Bob Ware  
CHAIRMAN

Mr. Randall Christopher  
Mr. William Grier  
Mr. William Welty, Sr.  
Judge L. C. Reese  
Mayor John Martin  
Mr. Rex Morgan  
Mr. Warner J. Caines  
Mr. R. C. Day  
Mr. Daryl E. Newby  
MEMBERS OF THE KENTUCKY  
RIVER AUTHORITY

Mr. Paul Gannoe  
Proxy for Mr. John Farris  
FINANCE AND ADMINISTRATION  
CABINET

Commissioner Susan Bush  
Proxy for Ms. Teresa Hill  
ENVIRONMENTAL AND PUBLIC  
PROTECTION CABINET

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**CAPITAL CITY COURT REPORTING**

TERRI H. PELOSI, COURT REPORTER  
900 CHESTNUT DRIVE  
FRANKFORT, KENTUCKY 40601  
**(502) 223-1118**

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Also Present:

Mr. Stephen Reeder  
EXECUTIVE DIRECTOR

Mr. Don Morse  
Mr. David Hamilton  
Mr. Earl Gulley  
Ms. Sue Ann Elliston  
Ms. Kayla Elliston  
KENTUCKY RIVER AUTHORITY STAFF

## AGENDA

|  |         |
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| Call to order.....   | 3       |
| Approval of minutes.....   | 3       |
| Financial Report - Don Morse.....  | 3 - 6   |
| Engineer's Report - David Hamilton .....   | 6 - 9   |
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| Consideration of an increase to the Legal Service<br>Contract - Steve Reeder ..... | 14 - 19 |
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| Other Business.....  | 55      |
| Adjourn.....   | 55      |

## INDEX OF MOTIONS

### **MOTION TO APPROVE MINUTES .....PAGE 3, LINE 18**

MR. WELTY: So moved.  
MR. CHRISTOPHER: Second.  
CHAIRMAN WARE: We have a motion and a second. All in favor, say aye. Motion passes.

### **MOTION TO APPROVE FINANCIAL REPORT .....PAGE 6, LINE 10**

JUDGE REESE: So moved.  
MAYOR MARTIN: I'll second it.  
CHAIRMAN WARE: All in favor say aye. Motion passes.

### **MOTION TO INCREASE LEGAL SERVICES CONTRACT OF LOGAN & GAINES LAW FIRM .....PAGE 18, LINE 5**

JUDGE MARTIN: I make the motion.  
CHAIRMAN WARE: We've got a motion to proceed with the increase in the legal services contract.

MR. WELTY: Second.  
CHAIRMAN WARE: I have a second to that motion. Any further discussion of this particular issue? Any questions? All those in favor, let it be known by saying aye. Any opposition by a like sign. Motion carries.

### **MOTION TO ADJOURN .....PAGE 55, LINE 8**

MR. MARTIN: I make a motion to adjourn.  
MR. CHRISTOPHER: Second.  
CHAIRMAN WARE: All in favor. The meeting is adjourned.

1                   CHAIRMAN WARE: Good afternoon, ladies  
2 and gentlemen. I'll call this meeting of the Kentucky River  
3 Authority to order. Sue Ann, why don't you call roll.

4                   (ROLL CALL)

5                   MS. ELLISTON: We do have a quorum.

6                   CHAIRMAN WARE: Very good. If I have a  
7 pained look on my face every now and then, it's not because  
8 of anything that you all might say. It's just that I've had  
9 carpel tunnel surgery day before yesterday. So, it might  
10 throb a little bit the next couple of days.

11                   I hope you all have been able to  
12 prepare a little bit for the next couple of days. The agenda  
13 should be pretty light this evening, and then we do the heavy  
14 lifting tomorrow for our Planning Session. So, be prepared.

15                   I guess the first thing we will do is  
16 approve the minutes for our last meeting in October. Do I  
17 have a motion?

18                   MR. WELTY: So moved.

19                   MR. CHRISTOPHER: Second.

20                   CHAIRMAN WARE: We have a motion and a  
21 second. All in favor, say aye. Motion passes.

22                   Now we will have Don Morse give our  
23 Financial Report.

24                   MR. MORSE: You've got reports in your  
25 packet this meeting for the months of August and September of

1 this year. Take a moment to look at the revenue picture.

2 We received during this two-month  
3 period \$232,000 of Tier I fees and \$110,000 on our Tier II  
4 fees. That was against billings of approximately the same  
5 amount for the quarter ending in June.

6 A bit about that, compared to the same  
7 period last year, we are down about 5% or so, not a great  
8 deal to be concerned about, except that the numbers that are  
9 coming in now for the quarter ending September seem to be off  
10 much more dramatically, and it looks like we're going to end  
11 up in about the same position we were the year before last --  
12 one of our lowest years for some time.

13 The primary impact of that will be that  
14 when we consider a fee rate change, the amount of the rate  
15 increase may be higher than what we had talked about last  
16 meeting due to this decline in revenue. We will have to take  
17 a closer look at that.

18 At this time, we don't have all the  
19 numbers in for the September quarter. So, as soon as we have  
20 those available, I'll give those to you at the next meeting  
21 and you can take a closer look at it.

22 On the expenditure side, we didn't have  
23 too much out of the ordinary. You can see looking at the  
24 comparison between the percentage of budget and percentage of

1 actual expenses this year, we're well within the budget  
2 level. We through September should have spent about a third  
3 of our budget and have on our general operations only spent  
4 about 15%.

5                   So, that will probably catch up with  
6 the next quarter simply because a lot of our large contracts  
7 with universities and some other contractors are billed on a  
8 quarterly basis rather than a monthly basis. So, there will  
9 be a little catch-up period there.

10                   Some of the large expenses on  
11 contractors that we've paid out for the two months combined  
12 are not really large amounts. Our legal service contract  
13 with Logan & Gaines was about \$1,700. We have a contract  
14 with Keane, Inc. I don't know if I need to explain what that  
15 is, but Keane is my current employer. I'm working for you  
16 basically as a part-time, hourly contractor at this time.  
17 And during the two-month period that included July as well,  
18 that was paid out about \$10,000.

19                   The Fuller Mossbarger services on the  
20 abutment walls or cutoff walls on Locks 5, 6 and 7, we've  
21 paid most of their contract out -- \$7,500 during this time  
22 period. And we also paid them another \$22,000 for their  
23 design work on Lock 9 which is essentially complete now. We  
24 also paid the first quarter of the Geological Survey services

1 for the gauging system and that was \$30,000.

2 Those are all the primary expenditures.

3 And you can see, we ended the period with still considerable  
4 cash balances. Most of our Tier II fee revenues are budgeted  
5 to be transferred to capital projects and that will appear on  
6 the October statements where we will utilize those excess  
7 cash balances to get our capital projects started.

8 Does anyone have any questions on  
9 anything in the reports?

10 CHAIRMAN WARE: No questions. I will  
11 entertain a motion to accept this report.

12 JUDGE REESE: So moved.

13 MAYOR MARTIN: I'll second it.

14 CHAIRMAN WARE: All in favor say aye.  
15 Motion passes. Thank you, Don.

16 The next item on the agenda will be the  
17 Engineer's Report by Dave Hamilton.

18 MR. HAMILTON: The report for this  
19 meeting will be pretty short. The only major activity that  
20 we've had since our last Board meeting was regarding the Dam  
21 9 project.

22 We had our pre-construction bid or  
23 pre-bid meeting yesterday. We were a little bit worried  
24 because this is the first bid documents that we've included



1 some contractor qualifications, some minimum qualifications  
2 that the contractors would have to meet in order to place a  
3 bid. So, we were a little concerned about the turnout of  
4 contractors who would be interested in the project.

5                    Luckily, yesterday, we had nine  
6 different contractors show up at the site. Most of them  
7 seemed very interested in the project. Some of them seemed  
8 like they might be teaming up just based on the nature of  
9 some of their past projects. We don't know that for sure.  
10 But like I said, we had a good turnout.

11                    The bids were originally going to be  
12 due on the 29th of this month. But after meeting yesterday  
13 and hearing some of their concerns, and with the Thanksgiving  
14 holiday between now and then, we have requested that that be  
15 changed to December 13th for the bids to be due on that  
16 project. I believe our next scheduled Board meeting is  
17 December 14th. So, we hopefully should have those available  
18 for the Board at our next meeting.

19                    The other major projects that we've got  
20 going on are still more or less in negotiation. The  
21 projects at Locks 3 and 4 and Dam 3 is still in negotiations  
22 with Fuller Mossbarger. And, of course, Paul Gannoe is  
23 familiar with that. He's been working with them as far as  
24 getting some of their cost estimates and try to get a further

1 breakdown of how they arrived at those. So, that project is  
2 still more or less in a negotiation phase to get them on  
3 board with the contract for the design work.

4 And that's pretty much it.

5 MR. REEDER: I concur with the--the  
6 Finance people talked to me about--of course, we had the  
7 pre-bid meeting on Dam 9 yesterday, and David represented me  
8 there. There were several contractors that showed up, some  
9 of which we really don't know a lot about or whatever. And,  
10 of course, their qualifications will only be known whenever  
11 they bid.

12 If there's some of them are not  
13 qualified -- there were some pre-bid specifications written  
14 just for the contractors -- we will only know that when they  
15 bid and consider their qualifications at that point. We  
16 don't have a pre-qualification procedure like the Highway  
17 Department has, for example, where you are pre-qualified for  
18 certain things and you're not even allowed to bid if you  
19 don't fall into one of those categories.

20 So, David mentioned, and I concurred in  
21 it, a two-week slippage in the letting of the contract. That  
22 will allow these contractors to get more accurate  
23 information; and I agree with that because at these holiday  
24 stages we are approaching, there's not going to be much done

1 anyway. And, so, two weeks is not going to hurt you.

2 And what will happen if you don't let  
3 them have that two weeks or let them have a fair amount of  
4 time to put those bids together, they're going to pad those  
5 bids and you're going to get higher ones in there, or, on the  
6 other hand, you're going to get caught because they're going  
7 to under-estimate a lot of things because they don't have the  
8 information. You're going to get hit with a bunch of change  
9 orders.

10 And I think by letting them have some  
11 time, that means we could probably take the position if they  
12 want a change order or an amendment to the contract at some  
13 point in time, they've got less excuse to ask us for one.  
14 And, so, I agree with the two weeks and I concurred with Mr.  
15 Maggard this morning from the Finance Department that that's  
16 what we should do.

17 MR. HAMILTON: That's all I have for my  
18 report.

19 CHAIRMAN WARE: Any questions of Steve  
20 or David? Let's move on to Bill Grier's summary of the  
21 latest and greatest with the Bluegrass Water Supply  
22 Commission.

23 MR. GRIER: The last meeting of the  
24 Bluegrass Water Supply Commission was a relatively quiet one.

1 It was a relatively short one. Not a great deal of action  
2 was taken.

3 As you can see from the memo in your  
4 folder that they are still looking at several potential water  
5 supply sources. The final water supply source for the  
6 Bluegrass Water Supply Commission has not been determined yet  
7 nor has it been actually determined how it would be paid for  
8 when it will be done. The financial arrangements are still  
9 up in the air, as well as which alternative water supply they  
10 will actually use.

11 One of the big things that actually  
12 happened at this meeting that I think is some progress is  
13 that they did agree to at least talk with Kentucky-American  
14 about the possibility of a joint venture with them. At the  
15 meeting before that, quite a few of the members had said  
16 individually, although no vote was taken on this, that they  
17 were not interested in a joint venture with Kentucky-American  
18 under the terms that they had proposed. But at this meeting,  
19 they did officially decide to talk with them on a non-binding  
20 basis. So, that is one of the alternatives that they are  
21 looking at.

22 The other three alternatives that are  
23 laid out in this memo -- the Louisville Water Company, the  
24 Frankfort Plant Board and the Greater Fleming Regional Water

1 Commission -- are still on the table but not as active right  
2 now as they once were.

3                   So, just what will happen on that, what  
4 would be the final water supply source that the Bluegrass  
5 Water Supply Commission will go to is still not officially  
6 determined yet. They are still talking about it, but all  
7 four of those are still in the air.

8                   They are looking at paying back some of  
9 the loans that they have made from the League of Cities and  
10 the Association of Counties with some of the money that has  
11 been granted to them by the State Legislature. That process  
12 has been started. No official vote has been taken, but that  
13 possibility has come up and it looks like it will possibly be  
14 a reality.

15                   Those funds will go through the  
16 Kentucky River Authority. They are officially given to the  
17 Kentucky River Authority with the specific understanding that  
18 they be forwarded on to the Bluegrass Water Supply  
19 Commission. That would be done in the following months. So,  
20 that is a possibility now that those loans will be paid back.  
21 And that will be good because it will clear them of all the  
22 outstanding loans that they have.

23                   Their financial consultant, who has the  
24 initials of PFM, their financial consultant is on board now.

1 They are beginning to put their talents to work on cost  
2 estimating, bonding procedures. Talks are beginning and  
3 procedures are beginning to be outlined on that. No official  
4 report has been offered by PFM yet, but that will be coming  
5 forth soon.

6 So, those are the major things that  
7 took place at the last meeting, Mr. Chairman, that would be  
8 of concern to the Kentucky River Authority.

9 CHAIRMAN WARE: I'll recognize Don  
10 Hassall and Brian Lovan. Is there anything you all would  
11 like to add to that?

12 MR. LOVAN: Brian Lovan with O'Brien &  
13 Gere, the Program Manager for Bluegrass Water Supply  
14 Commission.

15 And just to add a little bit more to  
16 Mr. Grier's update, we have a meeting scheduled tomorrow to  
17 talk to the Kentucky-American Water Company about their plant  
18 and their basis of design just to get an idea and a little  
19 bit more information on what their plans are so we can  
20 evaluate the different alternates.

21 So, we are making headways and trying  
22 to work with Kentucky-American Water Company on this to use  
23 the Kentucky River as a source, to try to give you a little  
24 bit more update than what Mr. Grier had told you.

1 CHAIRMAN WARE: Thank you, Brian. Does  
2 anybody have any questions of Bill or Brain regarding the  
3 status of the Bluegrass Water Supply Commission's efforts?

4 JUDGE REESE: I have a question. There  
5 was something on the ballot in Fayette County. How does that  
6 pertain to the water---

7 MR. GRIER: What was that again, Judge?

8 JUDGE REESE: There was a question on  
9 the ballot in Fayette---

10 MR. GRIER: That question of the  
11 ownership of the water company, as all of us know, was  
12 soundly defeated. That will actually have no impact on what  
13 the Bluegrass Water Supply Commission proposes to do. So,  
14 the immediate impact is zero. Thank you. That's a valid  
15 point, Judge.

16 CHAIRMAN WARE: Any other questions?

17 MR. WELTY: I've got a question on the  
18 financial part of it. The \$900,000 pass-thru money, is that  
19 going in our budget and we just pay the bills out of that?

20 MR. MORSE: This will be the second  
21 grant that--it's kind of a joint grant. The way the budget  
22 reads, I think, it's being made to the Kentucky River  
23 Authority and Bluegrass Water Supply Commission.

24 In the past, what we have done is

1 assign a good part of our rights to the Commission directly  
2 for administration of that grant. The funds do not actually  
3 pass through any account that's in our name. We simply  
4 review the reimbursement request that they submit to the  
5 Department for Local Government and provide any comment that  
6 we might have to those funds before they reimburse the  
7 Commission.

8 But we do not actually receive the  
9 monies and then pay them back out. They are provided to the  
10 Commission on a reimbursement basis.

11 MR. REEDER: The intent as expressed by  
12 the sponsors of the legislation over the past two Sessions as  
13 related to me at the time they passed it was just along that  
14 line. It was primarily more informational, to keep us  
15 informed with regard to the activities of the Commission.  
16 And it made us more of a clearinghouse but we exercise no  
17 veto power over the money nor we do write any checks on it  
18 because it doesn't come through our accounts, per se.

19 We do look at the invoices and so forth  
20 mainly just to see what sort of projects that they are doing,  
21 and that was a desire of some of the legislative leaders that  
22 there not be two agencies working at the same thing and not  
23 know what the other was doing.

24 MR. WELTY: So, basically, it's a



1 budget of the Kentucky Infrastructure Authority and they sign  
2 off on it and they get audited?

3 MR. REEDER: Yes, basically.

4 MR. WELTY: Okay.

5 CHAIRMAN WARE: Any other questions?

6 The next item will be consideration of an increase in the  
7 legal services contract by the Executive Director, Steve  
8 Reeder.

9 MR. REEDER: You will find in your  
10 packet the information. The proposed contract has already  
11 been signed off on by the Finance Department. But what it  
12 is, it's an increase in Logan & Gaines' contract. And I'm  
13 going to explain what it's for.

14 It's an increase of \$15,000. This  
15 year, we approved a contract prior to the end of the fiscal  
16 year of an addition to their contract of \$33,000. Now, we  
17 use very little legal services. So, I'll tell you exactly  
18 what this is for.

19 We've had, as you know, numerous  
20 meetings regarding the hydropower plant at 7. And not only  
21 is the hydropower plant at 7 an issue with regard to how we  
22 interact with the Federal Power Commission, we've got  
23 thirteen other dams that potentially could be impacted.

24 And, so, we hired the same law firm

1 through our lawyer who subcontracted Segal & McDermott out of  
2 Washington, D.C., and these are the only types of people that  
3 understand anything about this stuff. It's a complete  
4 specialty and they are not cheap.

5 And, so, what they did was to submit a  
6 bill to Logan & Gaines of \$29,100 for that work that they did  
7 which was work on that specific, plus also some work  
8 regarding a blueprint of what our rights are and what  
9 procedures we are to follow if we have another applicant  
10 apply on another dam or dams.

11 So, Logan & Gaines had I believe a  
12 contract with--I believe the subcontract item within their  
13 contract was \$28,000, I believe, and the \$29,000 exceeded  
14 that. Well, they still have some money in their contract but  
15 that money is not for subcontract purposes.

16 So, what I did or what I'm requesting  
17 here is another \$10,000 for the hydro element of it and  
18 another \$5,000 for their direct expenses. Now, there's no  
19 reason to believe that we may have to use any more of that  
20 for hydro use except to pay this one bill off.

21 For example, as you know from voting on  
22 previous bills like that, our legal bills are pretty  
23 inexpensive and irrelevant. I think out of that last \$33,000  
24 contract, we paid actually Logan & Gaines \$1,300. We paid

1 them \$400 worth of expenses. Most of that was associated  
2 with filing the deeds to the property that we received from  
3 the Corps of Engineers and traveling to these locations to  
4 file these deeds and coming to a few of our meetings  
5 regarding hydro matters. Practically nothing of a legal-  
6 service nature involved anything except hydro power or filing  
7 these deeds.

8                   So, I was asking for another \$10,000 in  
9 case we have to pursue that hydro thing at Lock and Dam 7, we  
10 have a problem with that. We may not have. If they come up  
11 with a bond as we have requested of them, then, the matter is  
12 pretty much over as far as that dam is concerned.

13                   If not, then, we might have to seek  
14 other legal recourse, I don't know, because they are working  
15 on that thing as we speak, so I understand from our  
16 reconnaissance. Earl has been keeping an eye on the dam and  
17 through one of our employees who lives there close, in  
18 looking distance of it.

19                   And, so, I hope that they can come  
20 through with their bond and this matter would go to bed and  
21 hope nobody else applies for one of these things. But we  
22 have a body of research here that we can use.

23                   It is not cheap, and Warner Caines will  
24 testify to that. He uses this same law firm for the

1 Frankfort Plant Board. In fact, that's how we got the name  
2 because we were looking for somebody. Nobody in the State of  
3 Kentucky does it. If they do it -- and Daryl works for  
4 PSC -- he knows this -- if they do it, they work for some  
5 power company if you have any lawyers around that know  
6 anything about it. There's nobody in a law firm or anywhere  
7 else that even deals with this stuff.

8                   So, we've got it. We have incurred  
9 some pretty good expenses on account of it, and this request  
10 is to basically pay Logan & Gaines so they can honor that  
11 part of the subcontract. There will be a little bit extra  
12 there if we have to do any more, which I hope we don't, and  
13 that puts a little bit more money into Logan & Gaines'  
14 contract for just general use which we use them very little  
15 or anybody else of that kind.

16                   JUDGE MARTIN: Do we need a motion?

17                   MR. REEDER: Yes.

18                   JUDGE MARTIN: I make the motion.

19                   CHAIRMAN WARE: We've got a motion to  
20 proceed with the increase in the legal services contract.

21                   MR. WELTY: Second.

22                   CHAIRMAN WARE: I have a second to that  
23 motion. Any further discussion of this particular issue?  
24 Any questions? All those in favor, let it be known by

1 saying aye. Any opposition by a like sign. Motion carries.

2 Steve, any word on how Soft Energy is  
3 proceeding as far as obtaining a surety bond? Bill, did you  
4 get the information to them?

5 MR. GRIER: Yes, I did. I passed on  
6 some information to them.

7 MR. REEDER: We did. We got the  
8 information from Bill on a similar type of bond that the  
9 Valley View Ferry Commission uses which is sort of a  
10 continuing bond, a surety type bond. And that's been passed  
11 to them, given to them. We've not heard back from them.  
12 There will come a time we need to hear back from them because  
13 that's the only element that we have required of them that  
14 they haven't done.

15 MR. GRIER: It didn't seem like a very  
16 complicated thing. It was pretty straightforward.

17 MR. REEDER: Right. And I think your  
18 information was on point. It was exactly the kind of bond  
19 you're talking about.

20 CHAIRMAN WARE: Okay. Next, we have a  
21 presentation by Mr. Grier with regards to some history of the  
22 Kentucky River.

23 (PRESENTATION OF THE RISE AND FALL OF THE KENTUCKY RIVER)

24 CHAIRMAN WARE: We thought this might

1 be a good precursor to the Planning Session tomorrow and pass  
2 along a little historical information that some of you may  
3 not have been aware of. Bill does a good job. We could  
4 probably get him to do this for every pool sequentially along  
5 the river.

6                               Next on the agenda, Steve will give us  
7 the Director's Report.

8                               MR. REEDER: Just a few items. You'll  
9 notice in the back of your packet -- I've told you about this  
10 before, but I don't think you've actually seen it -- you will  
11 see an Executive Order of the Governor. You should take that  
12 out of there and you have issued to you copies of our laws  
13 and regulations and so forth, the packet of information.  
14 That ought to go with your laws because right now it is a  
15 law.

16                              And what it is, it's a reorganization  
17 order issued by the Governor which was done in response to a  
18 bill not passing. It refers to a lot of things other than  
19 the River Authority, but it was a general clean-up bill in  
20 the Finance Cabinet for boards and commissions. And  
21 basically a couple of things in there that pertained to us  
22 was the old problem we had with the expiration of members'  
23 terms and the lack of the continuation language until the  
24 Governor appoints new people.

1                   It was an omission in the original law.  
2     Practically every board and commission has got language in  
3     it that says that members are appointed for a term of "x"  
4     number of years or until a successor is appointed and  
5     qualified.

6                   Our law never had that. So, what that  
7     did for us was that when somebody's term expired and all  
8     Governors and all administrations -- I've been through a gang  
9     of them, and, in fact, I used to have this job over there in  
10    the Governor's Office appointing people -- and we were never  
11    on time because there's too many boards and commissions to  
12    keep up with and there's too many times a Governor calls you  
13    back on it after you get started.

14                  But it leaves you in limbo, and we had  
15    a real bad situation--well, we had some situations during the  
16    Patton Administration and then in this administration when  
17    they were getting started, we had some problems with a number  
18    of people whose terms expired and new appointments were not  
19    made.

20                  And, so, in response to that, what we  
21    did, we said people can come to the meetings whose terms have  
22    expired. They should not vote and they can't be counted for  
23    a quorum but they can come and participate and be paid. And  
24    the reason for that obviously is you don't want your

1 membership challenged, or, in some cases, the existence of a  
2 meeting being challenged.

3                   So, we had this information in a bill.

4     It was one of the Finance Cabinet's bills, and it was one of  
5 those things where the Legislature let the whole bill lay  
6 there until the last day; and then there were so many bills  
7 there, they couldn't get it called up in the Senate.

8                   It didn't get called, so, it didn't  
9 pass. So, they had to come back with an Executive Order  
10 which will last until the next time the Legislature meets and  
11 then they can ratify it. There's nothing controversial in  
12 the whole thing. They are all clean-up type bills.

13                   So, as of now, any terms that expired  
14 during the existence of this Executive Order and until the  
15 Legislature ratifies the Executive Order and anybody whose  
16 term has expired will continue unless the Governor goes ahead  
17 and appoints somebody else or reappoints that same person.

18                   So, it did that and it also did one  
19 other thing. In 2000, when the Legislature overhauled our  
20 laws pretty extensively, they added the Secretary of Finance  
21 to the membership. That made 12 members. They did not  
22 remove the Natural Resources Secretary to whose Department we  
23 had been attached. I'm certainly glad they didn't remove  
24 them because we need that connection to those people and need



1   them there.  We have too many issues that we have in common.

2                   But what it did, the original law said  
3   the quorum was six.  Well, you can have a quorum whatever the  
4   Legislature puts in, but it's not typical that you have in  
5   any kind of public or private organization either one that  
6   you have a quorum that does not represent the majority of  
7   people of the total membership.  And we really don't have any  
8   business transacting business and passing on issues unless  
9   there's at least 51% of you that agree with that.

10                  So, I told them to put that in there  
11   and that was in the bill.  So, it's now the law subject to  
12   ratification when the Legislature comes in.  So, you all just  
13   take that and put it with your laws in the notebooks you have  
14   because it's a law.  You have to read through there to find  
15   out where we are.  We're just about two sentences in there of  
16   the whole thing.

17                  The other thing that I wanted to pass  
18   on to you is that we, of course, have what we told everybody  
19   back during the orientation sessions -- this is primarily for  
20   new members or newer members -- we have what's known as a  
21   structural failure plan.  That is, it's a contingency plan  
22   that was developed by Bill Grier when he was still a  
23   consultant and not a Board member, and David Hamilton, our  
24   engineer.

1                   I wanted a plan in place so that at  
2   least whenever there was an emergency, a breach in one of  
3   these dams or an emergency that we would have some way to  
4   address it on paper. And, of course, to address it on paper,  
5   it involves a semi-emergency or maybe a full emergency type  
6   declaration. And it's nice, well and good to have that on  
7   paper, but if you don't have a way to implement it, you've  
8   got another problem. It's just what it is. It's a volume on  
9   a shelf.

10                   So, we did involve the Emergency  
11   Management people in Military Affairs during the development  
12   of it. They have a copy of it. The Finance Cabinet has a  
13   copy of it. The Finance Cabinet, to whom we're attached, we  
14   let them have a copy of it not because they were attached to  
15   us but because everything has to go through them in terms of  
16   procurement anyway.

17                   So, as things go, I got concerned that  
18   when we first did it, everything was well and good.  
19   Everybody was on board with it. Administrations change,  
20   people change. I wanted to make sure that the current people  
21   in all affected departments were on board with this. And,  
22   incidentally, all the utilities and every city that's on the  
23   main stem of the river was involved in the development of it.  
24   They had a chance to comment on it and whatever and they got

1 a copy as it relates to them.

2                   So, I had a meeting. Paul Gannoe  
3 facilitated the meeting, but the Finance Cabinet has a  
4 coordinator for this kind of activity, whether it pertains to  
5 an agency attached to them or one of their own agencies or  
6 anywhere in state government.

7                   So, we had a meeting with Jim Abbott,  
8 who is the Finance Cabinet's Emergency Management  
9 Coordinator, and I think the result of it was we made sure  
10 that he got a current copy of this. It had been a while  
11 since he had seen it. He knew of it but he didn't have it,  
12 but he does now and everybody has got a current copy of it.

13                   So, whenever there is an emergency, he  
14 is probably going to be, after it leaves us or even before it  
15 ever gets to us, he would be the point person to put this  
16 into effect.

17                   The Finance Secretary has certain  
18 emergency powers that other Cabinet Secretaries do not have  
19 except for the Governor himself, and they can do anything  
20 short of the Governor's help, and the Governor would  
21 certainly look to Mr. Abbott and the Finance Secretary to  
22 take that extra step if it was bad enough. But this assures,  
23 I don't want to say a circumvention of the bidding process  
24 for these services, but it allows emergency purchases thereof

1 along the line that has been developed with the vendors we're  
2 talking about.

3                   And along that line, in the next year  
4 or so -- David really doesn't have anything else to do next  
5 summer, I guess, with all the work going on -- David is going  
6 to work again on the structural failure plan to update it  
7 because it identifies vendors that sell certain products --  
8 it identifies trucking companies; it's got a layout of  
9 roads -- to make sure all those roads are still there, those  
10 companies are still in existence; if they're not, who their  
11 replacements might be, if the quarries are still there and if  
12 the quarries still handle a certain kind of rock. It's a  
13 pretty comprehensive plan.

14                   We got some very pretty press from that  
15 plan when it was first released from the Lexington Herald.  
16 But we have had some current meetings on that and everything  
17 is up to date on that if anything happens. That's one thing.

18                   And I also wanted to mention, too, that  
19 we have contacted the Corps of Engineers this week regarding  
20 the transfer of the rest of the dams, the next four. When  
21 they entered into a lease with us in 2001 to operate them,  
22 they were obligated under federal law not to--there's a  
23 five-year disposition process.

24                   Once they lease them or once they quit

1 operating them, like any piece of property, the Corps of  
2 Engineers has to let five years elapse to see if they will  
3 ever need them again. And they certainly don't want them,  
4 but, in other words, say commercial traffic started up there  
5 again during that three-year period. Then, they would have  
6 to recommission this stuff and would need the property back.

7                   So, the five years has now expired,  
8 their obligatory time of waiting. So, they have given us the  
9 following information.

10                   Yes, they definitely want to transfer  
11 them to us. But until they get some money in their budget to  
12 do some remedial work on whatever dams that we think are  
13 necessary to be remediated -- and one of them doesn't need it  
14 -- that's 4; 3 is going to be replaced, so, that just leaves  
15 1 and 2 -- until they decide to remediate such as the  
16 remediation of 5 through 14 where they've spent probably an  
17 average of \$1.4 million per location for sheet piling and  
18 rock and things of this nature, and, in some cases, did a  
19 pretty good job really, that it's held up over a period of  
20 time, and also remediate the lead on those houses, until they  
21 get that in their budget or it gets in there in some way,  
22 they cannot do that, according to their own laws and prior  
23 agreements with the State regarding the other ones, like they  
24 did on the other dams.

1                   And we'll just have to follow that  
2 funding scenario out because, as we know, their funding  
3 demands all over the United States and abroad have spread  
4 their budget pretty thin. But that's the reason. That will  
5 be the holdup.

6                   They are ready, willing and able and  
7 legally capable now with the exception of remediating those  
8 lead paint issues where the houses are and where the houses  
9 were -- in one instance, on one lock, there's no houses --  
10 and then doing any remedial work that we might deem necessary  
11 in terms of just stopgap work -- that's what I call it -- but  
12 it could save a dam.

13                  And 1 and 2 would be probably the ones  
14 that would be the most in question because, like I say, we're  
15 going to replace 3 anyhow. And then No. 4, it was  
16 extensively reworked from 1998 through 2000. It took them  
17 three years and they did, as we can tell, a pretty good job  
18 on the dam, not the lock, but the dam itself. So, that's the  
19 latest status on that.

20                  I wanted to just say something about  
21 tomorrow. Tomorrow we'll have our Planning Session at nine  
22 o'clock. We've had nine Planning Sessions in the history of  
23 this organization. Starting in 1999, that was our major  
24 Planning Session.

1                   And after extensive reviews the last  
2 couple of weeks reading this stuff over and over -- we had  
3 minutes taken, of course, on all of it -- really after you  
4 pass the 1999 major session, which we arrived at a Mission  
5 Statement, arrived at the missions and established how we  
6 were going to plan, a methodology of planning, a whole lot of  
7 things in those later sessions didn't change. They were just  
8 refinements of what went on at that particular one, and I can  
9 explain a little more of that in detail tomorrow.

10                   But I think the first thing we do is  
11 look at how it started, the planning part started. We'll  
12 look at the law first because none of us can do any more than  
13 the law says we can do. And then we can look at the planning  
14 process and see exactly what it is that we started.

15                   And since many of you folks are still  
16 relatively new to the organization, you've got to have a  
17 chance to ask yourself are we going in the right direction.

18                   Now, the Legislature has come back and  
19 made certain mandates out of it, and you can't change those  
20 unless you get them to change the law. But as far as some of  
21 the other things and some of the implementations of those  
22 things, we'll talk about the missions, the goals and how we  
23 have spent our money since that time on these various  
24 strategies as they were identified at that time. I prefer to

1 call it implementation.

2                   And, so, the second part of it, we'll  
3 look at how we've implemented the plans. And then the third  
4 part of that is what we really need to do. We need to  
5 update, not update, but we need to add to what the law  
6 requires as far as our six-year plan.

7                   We got a lot of things done in the  
8 Session over there last time in that we got our short-range  
9 stuff sort of worked out for the next couple of years. We've  
10 got Dam No. 9 which is getting ready to be built and Dam No.  
11 3 which is getting ready to be designed and two locks.

12                  And, so, we've got to decide and look  
13 at what's left out here and see what we want to put in there  
14 to make up another six years' worth of work.

15                  So, we will look at that and look at  
16 the options. And, of course, that's all driven by the  
17 Legislature's 2000 mandate to us that water supply was the  
18 number one thing that we do. And we're going to look at that  
19 in light of what we can do to cut down that deficit that's on  
20 paper, the target of all studies, a 1930 drought in the year  
21 2020. 2020 is not that far away.

22                  But we've got other dynamics working  
23 here. It's not only just what we do. We've got to look at  
24 it in terms of how the Kentucky-American activity would work



1 as far as their trunk line back to Lexington.

2                   And, then, additionally, we've got to  
3 look at how the Bluegrass Water Commission working in  
4 conjunction with that or working alone, however it's worked  
5 out with their distribution line, how does that further  
6 affect what we're going to do and how we do it. The more  
7 they do, quite frankly, the less we'll have to do in terms of  
8 enhancement. That doesn't mean the less we've got to do in  
9 terms of keeping those structures up to date and keeping them  
10 stable.

11                   But as far as raising them and  
12 enhancing them, what the Water Commission does and what  
13 Kentucky-American does is going to impact, and David will  
14 show you the numbers that we've got, greatly affect what we  
15 do. It can greatly result--and I really encourage them to do  
16 what they're going to do because that just means less money  
17 we will have to spend and less fees we will have to levy on  
18 somebody to raise some structure somewhere else. And, so, we  
19 will review that.

20                   Hopefully, we can come to some  
21 consensus on what we're going to do with the upcoming six-  
22 year plan. The six-year plan, I explained what that is.  
23 That's something the Legislature adopted. They said you'll  
24 have a short-range six-year plan. That's the same thing we

1 said in our Planning Session in 1999.

2                   And they also said you will have a  
3 long-range plan of 20 years, and we've already adopted  
4 elements with regard to that, and we don't have an active  
5 project of water supply along that line, per se. We have  
6 considered one and we've got one that we've considered and  
7 one we have tabled along that line just because we couldn't  
8 afford it and we didn't want to keep spending money on it.  
9 We'll talk about it, too, tomorrow.

10                   But the main thing we've got to  
11 concentrate on is our six-year plan and adding to it and, of  
12 course, we've got the completion of implementing what we have  
13 already started here with the Legislature.

14                   If we hadn't had this Planning Session  
15 in 1999 and started this stuff, then, when the Legislature  
16 called me over there last year, we wouldn't have got anything  
17 because I wouldn't have had any plan. I wouldn't have had  
18 anything.

19                   That's how I learned it in the Highway  
20 Department. We had a Planning Section there, a very active  
21 Planning Section which identified projects. And oftentimes  
22 we didn't have the money to do them, but we had them on the  
23 shelf. We had preliminary designs on them. We have them  
24 identified, but the most particularly affected was the

1 Appalachian road projects or Appalachian programs in Eastern  
2 Kentucky and the Corridor J they used to call it.

3                   And a lot of times what would happen,  
4 we had those plans laying there and, of course, you had  
5 states in the Appalachian corridor all the way from New York  
6 to Georgia. And what would happen is that money would all of  
7 a sudden come up in Congress for the Appalachian program. It  
8 would get funded. A lot of times it wasn't funded and it  
9 would get funded.

10                   So, the Federal Highway Administration  
11 would start polling the states and they would say who can  
12 spend "x" amount of money we've got. Well, you know, I  
13 couldn't count the times that Kentucky got a major piece of  
14 road in Eastern Kentucky on the Appalachian corridor that  
15 other states had to forfeit because they didn't have any  
16 plans.

17                   And, so, the next time the Legislature,  
18 if they open that budget back up this year -- and on the odd  
19 year, they can open it up, there's a lot of talk, there's  
20 even talk the Governor may try to encourage opening it up  
21 because of the surplus that he's come upon. And if that's  
22 so, we want to be ready to talk about that.

23                   And then it will definitely be opened  
24 up in '08. So, we definitely have got to have some projects

1 by then. Coupled with that, the capital planning process  
2 which Don will be working on, the capital planning process  
3 will start early next year and be developed for the '08  
4 Session.

5 So, we're going to have to have some  
6 projects for that anyway. I'd rather have more projects than  
7 what I need, to tell you the truth, to take in there. So,  
8 we'll talk about those tomorrow and that will be sort of the  
9 emphasis of it. It's sort of a three-part program.

10 We'll talk about the origin of the  
11 planning process. We'll talk about how we have implemented  
12 the planning process to this point on all missions, not just  
13 water supply, and how we have spent it. If you all want to  
14 spend it another way, then, we'll look into it. And the  
15 third thing is what we're going to do about this short-range  
16 construction program.

17 CHAIRMAN WARE: Anybody have any  
18 questions of Steve? In anticipation of tomorrow's session,  
19 are we going to have information in front of us tomorrow?

20 MR. REEDER: We can give it to you  
21 right now if you want to. We've got it if you want it. We  
22 can give it to you now and you can look over it tonight.  
23 We'll have some of them on overheads to discuss. There will  
24 be a lot of discussion here.

1                   Nobody be timid. I mean, if you don't  
2 like what we're doing or what's been done, if you don't like  
3 the implementation of it, tell us. Nothing is written in  
4 stone except what the Legislature told us to do.

5                   CHAIRMAN WARE: Our enabling  
6 legislation gives us apparently some broad latitude. But, I  
7 mean, like you say, we can't step outside of what's provided  
8 there.

9                   MR. REEDER: Right. For example, one  
10 thing you cannot do is not provide it for in any way, shape  
11 or form or fashion is flood control. You'll get questions on  
12 that. We have no authorization to do that whatsoever except  
13 indirectly. You could fix a dam and maybe you don't have a  
14 flood.

15                  MR. WELTY: Bob, I have a question. In  
16 the handout, maybe while she is handing all that out, in  
17 reference to the Superfund information that you put in the  
18 packet, that was addressed a few meetings ago. And from what  
19 I'm hearing here, that they told us that they would go back  
20 and look at these sites every five years.

21                   I'm not for sure when the five years  
22 starts, but it appears that some of these things are five  
23 years old. Have they already looked at those sites or are  
24 they on an agenda to be looked at?

1                   MR. REEDER: I don't think they're  
2 funded to be looked at.

3                   MR. WELTY: Well, it says there's a KRS  
4 that says they have to do it, or at least that's what they  
5 are telling us.

6                   MR. REEDER: That's what they are  
7 telling us, yes. Bill, I don't think there's any funding or  
8 authorization to do that. They don't have the authorization  
9 to clean up the new ones that we don't have. And how they  
10 would enforce that, Susan, you might know.

11                  COMMISSIONER BUSH: There's a general  
12 program rule that the Division of Waste Management has the  
13 authority to go back and evaluate every site that they've  
14 given approved closure on on a five-year cycle. Generally,  
15 nothing will happen unless somebody complains or there's some  
16 extraordinary circumstance that would cause them to reopen  
17 the issue.

18                  MR. REEDER: The only place I'd say  
19 maybe where it might get reopened is like the situation at  
20 Lock 12 where the county is interested in---

21                  COMMISSIONER BUSH: Land use change.

22                  MR. REEDER: ---in leasing that for a  
23 park. That would have to be revisited probably.

24                  COMMISSIONER BUSH: Yes, Steve, it

1 would.

2 MR. REEDER: That would be the kind of  
3 thing, or if we had some extraordinary activity at one of  
4 them, a lot of excavation or something like that, that might  
5 trigger some looking at by Superfund people.

6 COMMISSIONER BUSH: Yes. And in that  
7 case, generally, we would probably go to them first anyway if  
8 it was something we had planned and knew about.

9 MR. REEDER: And just for everybody's  
10 information, my direction has been and it came up at Lock 5  
11 in Lawrenceburg. One of those houses was torn down and there  
12 was some remediation there. And the contractor, we had just  
13 got through with the project up there, and they wanted to go  
14 through the yard. Earl told me about it.

15 And I said no way are they going  
16 through the yard and dig that up and get those people back  
17 over there because where they wanted to go is exactly where  
18 that house was and there's not any way we're going to do that  
19 because I don't want to get into it and have that reopened.

20 To put it in layman's terms, the level  
21 of work that they did was not exactly what the Corps had sort  
22 of told us it was going to be. It was more of a qualified  
23 and it complied with certain laws, but it certainly wasn't a  
24 fix. If it was completely fixed, you could dig it up. I

1 mean, there wouldn't be anything there. They put a cap on  
2 top of it.

3                   We thought when they did it, you know,  
4 that's the Corps, we thought they did it to the highest  
5 standard. And we come back and look at it and said, uh-uh.  
6 And Earl kept telling me, he said they didn't haul that stuff  
7 off. He said they just put a cap on it.

8                   I said, well, they were doing a lot of  
9 hauling down there. I don't know what they were doing, but  
10 they were doing the minimum that you could do because if they  
11 had done a complete remediation of it, you could lease it to  
12 Estill County and there wouldn't be anything they would have  
13 to do to it. But they can get by with that level of work on  
14 remediation.

15                   MR. MORGAN: Has there been any history  
16 of flooding to the point where it would get up and reach any  
17 of those caps and wash those caps off?

18                   MR. REEDER: Good question. I don't  
19 think we've had any flooding of that magnitude since that  
20 time that I know of.

21                   MR. GULLEY: You're talking about the  
22 rockfill?

23                   MR. REEDER: Yes.

24                   MR. GULLEY: No. We haven't had any



1 high water there.

2 MR. REEDER: It's not to say you  
3 couldn't.

4 COMMISSIONER BUSH: You might actually  
5 get a deposit of several more feet of mud.

6 MR. CHRISTOPHER: It might seal it.

7 MR. GULLEY: I'll say one thing. It is  
8 sealing the stone that's put in above Lock 6. I believe it's  
9 sealing it. Now, weeds and whatever, they do grow in that,  
10 but that's above the dam, not below it.

11 MR. WELTY: I don't want to take a lot  
12 of time on this, but I'm just trying to better understand.  
13 This was a letter that was sent from the State to the Corps  
14 of Engineers, correct?

15 MR. REEDER: Yes.

16 MR. WELTY: In that second page, it  
17 says where there's code to inspect that, it says--I don't  
18 know whether they're talking about the state or the federal  
19 government, but it does say shall.

20 CHAIRMAN WARE: Where are you reading  
21 from, Bill?

22 MR. WELTY: This literature that was  
23 passed out. It's talking about Dam 5, the last page where it  
24 was signed by Timothy Hubbard.

1 MR. REEDER: Shall conduct a review  
2 every five years to determine whether additional action is  
3 necessary. I don't know whether it takes an event to do that  
4 or not. It does say shall, Susan.

5 COMMISSIONER BUSH: By law, they have  
6 to evaluate them every five years and generally that's just a  
7 file review.

8 CHAIRMAN WARE: So, the Cabinet shall,  
9 that's EPPC. That's not---

10 COMMISSIONER BUSH: It's not the Corps  
11 of Engineers. It's not us. It's the state agency, Division  
12 of Waste Management.

13 CHAIRMAN WARE: That's another Cabinet  
14 altogether.

15 MR. WELTY: Superfund.

16 COMMISSIONER BUSH: Superfund Branch,  
17 yes.

18 MR. WELTY: Are they broke?

19 COMMISSIONER BUSH: Are they broke?  
20 No. They're not going to pay for it. What they're going to  
21 do is reevaluate it. And if there's something wrong, they're  
22 going to come to us and say fix it.

23 MR. WELTY: I guess that's where I'm  
24 headed to because we have four others we're going to get

1 turned over to us and we want a better job than what we had  
2 the last time.

3 COMMISSIONER BUSH: Well, we've got our  
4 eyes wide open this time.

5 MR. WELTY: We were told one thing,  
6 and, yet, what we got was another, and, yet our hands were  
7 tied on that because we didn't sign off on it, so to speak.  
8 It was done through the government, whether it be the federal  
9 or state.

10 MR. REEDER: Yes, that's right.

11 COMMISSIONER BUSH: I don't think they  
12 will get it past Steve this time, will they, Steve?

13 MR. REEDER: Well, what I think we  
14 ought to do this time is during the first phase of it, get  
15 the proper verbiage and terminology from the Superfund Branch  
16 so that they can clean that thing clear up to whatever  
17 standard there is.

18 COMMISSIONER BUSH: It's called a clean  
19 closure.

20 MR. REEDER: Yes, we want a clean  
21 closure, according to whatever law it is and say we won't  
22 take it unless you do this on these.

23 COMMISSIONER BUSH: We want a clean  
24 closure for unrestricted land use.

1 MR. REEDER: Okay. That's good words.  
2 That will be in the minutes. We'll copy that out of that.

3 MR. WELTY: Is our intent here to start  
4 looking at this Planning Session? If it is, I would like to  
5 ask a question about today's meeting first.

6 MR. REEDER: Go right ahead.

7 MR. WELTY: Okay. You all may have  
8 done this and I wasn't at the last meeting. But explain to  
9 me this contract that we have for our accountant over here.

10 MR. REEDER: For Don?

11 MR. WELTY: Yes.

12 MR. REEDER: We have a contract, or  
13 state government has got a contract with a company called  
14 Keane. Keane is an employment agency. It's something  
15 commonly used in a government. It's been used for technical  
16 people like Don that's necessary to keep on board.

17 So, what they do is it is a contract  
18 between--I guess it's really between--well, it's been us and  
19 Keane through the State Comptroller's Office is what it is.

20 MR. WELTY: So, do we have to sign a  
21 contract like that, like we do with our lawyers and  
22 everything?

23 MR. REEDER: No. It's not a personal  
24 service contract. Under state law, you cannot have a

1 personal service contract with a person unless they have been  
2 gone for six months. So, the reason we used the employment  
3 agency -- and, frankly, the Comptroller's Office recommended  
4 it because they use those people like that over there. A  
5 whole lot of their people are ex-employees and it's through  
6 an employment service.

7 He doesn't earn the money that's in  
8 there either, all of it. There's a big fee on top of that  
9 that they charge for handling the contract. But it is a  
10 State-negotiated contract.

11 MR. WELTY: And correct me, Don, if I'm  
12 wrong. One month to the next month, we're looking at two  
13 thousand versus seven thousand and something, or is that a  
14 two-month bill?

15 MR. MORSE: Well, I didn't come back  
16 until up in the month of July. So, the first bill was for a  
17 partial month. The second month I worked more hours than I  
18 was intended to because we're in the start-up mode with the  
19 E-MARS system. I don't intend to work that many hours on a  
20 regular basis.

21 WELTY: So, it's---

22 CHAIRMAN WARE: Steve, do you want to  
23 discuss basically what your intent is with respect to  
24 proceeding with a replacement of that position?

1                   MR. REEDER: Well, here's my intention.  
2    My intention is that I don't think we can lose a man like  
3    Don Morse from this organization because he's got too much  
4    institutional knowledge and that's what we're sorely lacking  
5    on. If we lose two or three people in here, there's no staff  
6    left.

7                   I do think that we need to seek out the  
8    best kind of person like that we can hire. But my intention  
9    is going to be to take my time doing that until we can find  
10   the right kind of person.

11                  And, secondly, even when we do find  
12   that kind of person, I feel like we need in some manner to  
13   keep Don Morse on board here. And that's my intention.

14                  I don't want to advertise for the job  
15   unless I know some people that--and let me tell you what you  
16   get when you start advertising for this thing. You are  
17   looking for a certain kind of person like him or you're  
18   looking for some of the senior people in the Budget Office  
19   that have been around forever.

20                  Most of them are like him. They are  
21   ready to retire. You don't want to hire them because when  
22   you do, they're going to leave also in a couple of years and  
23   then there you start all over again.

24                  So, my idea is to find someone inclined

1 along this line and maybe a junior type person that works in  
2 a Budget Office or in the Debt Management Office, somewhere  
3 like that in the government or in another budget agency and  
4 let them work with Don over a period of time in order to  
5 properly train them because there's so many of these programs  
6 in here that even those people don't understand, quite  
7 frankly.

8 MAYOR MARTIN: Generally, as a  
9 contractor, he probably isn't making as much as he did  
10 before.

11 MR. REEDER: No, he's not.

12 MAYOR MARTIN: So, you've got a savings  
13 there of the benefits, the pension, retirement.

14 MR. REEDER: Yeah, you don't have any  
15 benefits on there. I think for the future of it, for  
16 planning purposes, you need to bring a person in that can  
17 understudy to him because, at some point in time, none of us  
18 are going to be here.

19 CHAIRMAN WARE: It's a convenient  
20 transition because a lot of times, you don't have that  
21 ability.

22 MR. REEDER: This stuff that he does is  
23 the heart and soul of what makes the organization go.

24 When we put together that stuff last

1 year when Senator Williams wanted all that stuff last year,  
2 whenever he got interested in this and certain other  
3 legislators, there was an institutional knowledge involving  
4 that stuff that not many people I know anyplace could have  
5 done in that time frame. It's very key what he did that  
6 helped me to sell what I had to sell over there. And I had  
7 to change it about twenty times.

8                   So, I think that's so. Warner, I think  
9 you use a lot of your former people like that in your  
10 organization. It's a technical type thing.

11                   But I think we need a very orderly  
12 transition in this and we don't need to be a real hurry. If  
13 we get the wrong person. And it's my understanding -- I  
14 wasn't here -- but I think you maybe at one time in history  
15 had the wrong person and he inherited a mess and had to  
16 rebuild the system from the ground up. So, it's something  
17 you can't really gamble with.

18                   MR. MORSE: On the compensation  
19 package, I'm making essentially the same rate per hour as I  
20 was making when I retired. The hours are limited to 1,100  
21 hours for the year which is quite a few hours less than  
22 actual work hours I had. I'm not compensated for any  
23 vacation, leave time, holidays, anything of that nature. You  
24 pay no health insurance, no retirement contribution, no



1 Social Security on me.

2 MR. WELTY: I'm assuming that this is a  
3 contract just like Steve has for lawyers and all that that  
4 has a cap to it.

5 MR. REEDER: Yes. It's got a cap of  
6 hours based on a rate.

7 MR. WELTY: I guess \$70,000 is based on  
8 1,100 hours?

9 MR. REEDER: Yes.

10 MR. MORSE: The rate that you're paying  
11 the company will offset some of the direct costs that you  
12 were paying on me before. It's not coming to me but you are  
13 paying a premium to the company to handle the payroll and be  
14 the intermediary between state government and me.

15 I'll give you all the particulars on  
16 it.

17 MR. WELTY: I'm not after that. I'm  
18 just trying to get a feel for---

19 MR. REEDER: What it is.

20 MR. WELTY: Yes.

21 MR. REEDER: I didn't really know a lot  
22 about these employment service contracts either because  
23 first we were going to have to look at a personal service  
24 contract and bring it before the Board and we found out we

1 couldn't do it because what he would essentially do if we did  
2 that, if he hadn't been retired for six months, he could  
3 forfeit his retirement if he did that and that's a state law.

4                   So, we couldn't do it that way, and  
5 that's the same reasons used by the Comptroller's Office and  
6 several other state agencies to accomplish that.

7                   CHAIRMAN WARE: Any other questions for  
8 Steve on the Director's Report?

9                   Let me go over some things real briefly  
10 with you.

11                   I attended last week another meeting of  
12 the Watershed Steering Committee. I think as I conveyed to  
13 you all during our last meeting, this statewide Steering  
14 Committee, which is represented by a number of state and  
15 federal agencies and organizations, had identified five  
16 priority watersheds to focus the next year's activities on,  
17 two of which are in our basin -- Cane Run and Clark's Run, a  
18 Boyle County project.

19                   We had been pretty active in supporting  
20 activities in Clark's Run through our small grants process.  
21 I told the Steering Committee that the River Authority is  
22 very active in watershed management. We're, of course,  
23 funding the Water Resources Research Institute to serve as  
24 the primary contact in the basin.

1                   Melissa McAllister is our  
2 representative for those activities, and she will continue in  
3 a leadership role for the Clark's Run project.

4                   Now, the Cane Run project is a new  
5 watershed project. They may be deserving of one of our small  
6 grants. And one of their representatives, they had put  
7 together a watershed organization led by a fellow by the name  
8 of Aaron Wilson of the Friends of Cane Run.

9                   There's a lot of things going on in the  
10 basin. For those of you who are not familiar with it, it's  
11 in Central Kentucky -- Fayette County, Scott County. It  
12 receives drainage from the Royal Springs' area which supplies  
13 water for Georgetown. There's been some urban contamination  
14 of Royal Springs from the Lexington area.

15                  Of course, with the Equestrian event  
16 coming up, that's going to be a very visible watershed.  
17 Melissa will represent our interest in that area also.  
18 That's basically what we're paying the Water Resources  
19 Research Institute to do.

20                  But we probably want to consider the  
21 Friends of Cane Run as a possible recipient. And I told them  
22 to put together a grant application, which brings to mind the  
23 fact that we're in another fiscal year cycle.

24                  And rather than address those at the

1 end of a state fiscal year which the current fiscal year ends  
2 the end of June of 2007, I would like for this Board to  
3 receive all potential applicants for those small watershed  
4 grants soon.

5 Now, I don't know, Sue Ann, if that can  
6 happen before our meeting next month or not, but I told  
7 Melissa to--she sent out requests and some of you all may  
8 have seen those requests.

9 MS. ELLISTON: I haven't given it to  
10 them.

11 CHAIRMAN WARE: She seems to think that  
12 she could possibly get with our Water Quality Subcommittee  
13 -- Susan, you chair that group -- depending on what your  
14 schedule is over the next few weeks, before our meeting next  
15 month. That might be a little ambitious.

16 MS. ELLISTON: The applications aren't  
17 due until November 30th. So, our meeting is on the 14th.

18 CHAIRMAN WARE: And if it happens, if  
19 Susan's subcommittee could review those and make a  
20 recommendation to the full Board by the 14th of December,  
21 that would be good. But, like I said, if that's too  
22 ambitious or if your schedule won't allow, Susan, then, we'll  
23 have to make it fall back until January.

24 MR. GRIER: Bob, did this stream stand

1 out as having problems that others don't have?

2 CHAIRMAN WARE: Yes. A lot of  
3 impactors on that segment.

4 MR. GRIER: Okay.

5 CHAIRMAN WARE: So, we should be  
6 receiving something from Cane Run. We probably won't receive  
7 anything from Clark's Run since we funded them for two  
8 cycles, haven't we?

9 MS. ELLISTON: Right.

10 CHAIRMAN WARE: But there could be some  
11 other watersheds. Hopefully, there will be some other  
12 watersheds that Melissa will bring to us.

13 Now, I'm going to give some of you all  
14 a heads-up because there is a possibility that there's  
15 another entity, and I don't know exactly administratively or  
16 organizationally how that's going to evolve, but Roger  
17 Recktenwald -- some of you all may know Roger; he was the  
18 past Director of Kentucky Infrastructure Authority; he's now  
19 working for KACo in a consultant capacity -- and he's looking  
20 at some work on Troublesome Creek.

21 And he's hoping, and you may have heard  
22 some of this, Susan, I don't know, but he's hoping to  
23 possibly tap into some coal-industry monies that would be  
24 directed at compensatory mitigation for Section 404 of the

1 Clean Water Act permits for stream mitigation activities  
2 associated with stream loss.

3 COMMISSIONER BUSH: Straight pipe  
4 elimination?

5 CHAIRMAN WARE: That's one thing he's  
6 looking at is addressing the wastewater issues in Troublesome  
7 Creek. It's about 50 miles of stream in Breathitt, Perry,  
8 Knott Counties that have historically had non-use attainment  
9 due to straight pipes. There's some other impactors.

10 COMMISSIONER BUSH: That's an  
11 understatement.

12 CHAIRMAN WARE: Now, if he goes for  
13 some compensatory mitigation monies, that would be  
14 out-of-kind and the Corps of Engineers is going to get  
15 involved in that, and that might---

16 COMMISSIONER BUSH: The key is whether  
17 or not the Corps will accept that as compensatory, and  
18 historically they have not been real inclined to do that.

19 CHAIRMAN WARE: Right. And then I  
20 guess the decision on how to set those ratios for that type  
21 of mitigation is a big issue. But there are definite needs  
22 in that area and if it could be put together to address the  
23 water quality issues and recover some of the loss of stream  
24 use, the swimming impairment, etcetera, on 50 miles of

1 Troublesome Creek, that would be very beneficial.

2 But whether or not he can pull that  
3 off, and he's trying to get a lot of players pulled together,  
4 and I told him he might want to contact Judge Reese and Mr.  
5 Day and see what their thoughts on issues and problems in  
6 that area are. So, you all might hear from him.

7 And I told him that we might be able to  
8 provide, if he could put together some kind of an  
9 organizational entity, we might be able to provide a small  
10 grant to help with that in the early stages.

11 MR. GRIER: Bob, are they looking at  
12 actually doing something like we did in Letcher County?

13 CHAIRMAN WARE: Bill, I think that's  
14 what they're gearing toward. There could be a large toolbox  
15 of things they could do, cluster systems up toward connecting  
16 to municipal systems even.

17 MR. GRIER: It's upstream of Jackson,  
18 isn't it?

19 CHAIRMAN WARE: Yes. Roger is a good  
20 one to look into that because he's very familiar with  
21 wastewater infrastructure and local government  
22 infrastructure. So, I'm hoping he can pull something off,  
23 but I just wanted to let some of you all know that you may be  
24 hearing from him and be as responsive to him as you can be.

1                   And I think as an agency, we need to be  
2 responsive to that effort because it can make some real water  
3 quality improvements in the Kentucky River if they can  
4 address some of those issues.

5                   MR. REEDER: Mr. Chairman, I may make a  
6 suggestion on that. Wolf Creek, the Friends of Wolf Creek,  
7 if that grant is--you know, I don't know what Susan's  
8 schedule is. That's a pretty short time to get something  
9 together.

10                  If this thing is pretty clear cut, we  
11 could entertain that grant just as a Board as a whole without  
12 that subcommittee meeting because it it's one that's been  
13 presented before and it looks like it's one that there  
14 wouldn't be a lot of question about.

15                  We couldn't present the others, but  
16 this is not a good time of year maybe--I don't know what her  
17 schedule is. If she can hold a meeting and prioritize them  
18 all, it would be all right; but if not, before the next  
19 meeting, if there's a necessity to move on it, I think it  
20 would be in order to just let the Board rule on it at the  
21 next meeting.

22                  MS. ELLISTON: Just present them all to  
23 the Board?

24                  CHAIRMAN WARE: I would just as soon



1 look at the entire list, to be honest with you. Melissa may  
2 not be ready. Susan, you may not have the time within the  
3 next few weeks.

4 COMMISSIONER BUSH: I mean, when are  
5 the applications coming in?

6 MS. ELLISTON: November 30th. The  
7 deadline is the 30th.

8 COMMISSIONER BUSH: I'll look at my  
9 calendar; but you're right, that's a pretty short window.

10 CHAIRMAN WARE: So, maybe after the  
11 first of the year, at the January meeting, we might be able  
12 to consider them. I just don't want to wait until June to  
13 consider approving grants that were supposed to have been  
14 completed by June 30th.

15 We've got a Parks and Recreation  
16 Subcommittee meeting on November 29th. Randall's  
17 subcommittee will be meeting with representatives from the  
18 State Fish and Wildlife. I've been talking to Benjy Kinman,  
19 the Director of Fisheries, and, Randy, you all will be  
20 discussing the possibility of cooperating on at least a  
21 couple of boat ramps initially.

22 I think Benjy would like -- we might  
23 discuss this tomorrow. Benjy would like to consider a  
24 possible long-range effort to address access to the Kentucky

1 River. And I think we should maybe consider our abilities to  
2 participate financially with some of that as our budget will  
3 allow.

4 Your subcommittee at some point in time  
5 might want to consider any criteria that could be used for  
6 that. Benjy was suggesting possibly having access at least  
7 every ten miles or at least two access ramps per pool. So,  
8 that may be something that you all will want to consider and  
9 bring back to the full Board.

10 MR. GRIER: Would we have any say-so or  
11 can you tell yet if we would have any real input into what  
12 their plans are?

13 CHAIRMAN WARE: To the extent that  
14 we're going to participate, I would say we would have a great  
15 deal of say as to what that will be.

16 MR. GRIER: Because there are several  
17 spots that I know members of the Board have agitated for and  
18 they've gone to naught. So, maybe we can have some input.

19 MR. REEDER: We have a standard adopted  
20 policy already from prior Planning Sessions to as a goal have  
21 two public access points per pool, one on each side of the  
22 river.

23 MR. GRIER: Two free ones?

24 MR. REEDER: That's an adopted policy.

1                   CHAIRMAN WARE: Like I say, the Parks  
2 and Recreation Subcommittee will be meeting November 29th,  
3 which is a Wednesday, with Fish and Wildlife to at least  
4 initially look at a couple of ramps.

5                   Our last meeting of the year is  
6 scheduled for Irvine on December 14th. That's at the Cedar  
7 Village Restaurant. That's going to be a 1:00 meeting.

8                   MS. ELLISTON: We'll need to meet there  
9 at noon for lunch and then the meeting will actually start at  
10 one.

11                  CHAIRMAN WARE: All right.

12                  MR. MARTIN: I make a motion to  
13 adjourn.

14                  MR. CHRISTOPHER: Second.

15                  CHAIRMAN WARE: All in favor. The  
16 meeting is adjourned.

17                  MEETING ADJOURNED

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STATE OF KENTUCKY

COUNTY OF FRANKLIN

I, Terri H. Pelosi, a notary public, in and for the state and county aforesaid, do hereby certify that the foregoing pages are a true, correct and complete transcript of the proceeding taken down by me in the above-styled matter taken at the time and place set out in the caption hereof; that said proceeding was taken down by me in shorthand and afterwards transcribed by me; and that the appearances were as set out in the caption hereof.

Given under my hand as notary public aforesaid, this the 21st day of November, 2006.

\_\_\_\_\_  
Notary Public  
State of Kentucky at Large

My commission expires February 10, 2009.